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June 16, 1999

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VIA HAND DELIVERY

JUN 16 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
TW-A325
445 12th Street, SW
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex parte contacts in CC Docket No. 99-35

Dear Secretary Salas:

On June 15, 1999, the undersigned, along with Colleen Boothby and Justin Castillo of Levine, Blaszak, Block and Boothby, LLP and Susan Gately of Economics and Technology, Inc., on behalf of the Ad Hoc Telecommunications Users Committee, met with Jay Atkinson, Janet Sievert, Kris Monteith, and Christopher Barnekov to discuss issues raised in the above-referenced docket. The issues discussed during the meeting are identified in the enclosed handout.

The original and one copy of this letter are being filed with the Commission for inclusion in the record of the above-referenced docket.

Respectfully submitted,



Bonnie Gerhardt

cc: Jay Atkinson
Janet Sievert
Kris Monteith
Christopher Barnekov
Susan Gately (via First Class Mail)

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I. **Most of the carriers' demand estimates have significant defects** JUN 16 1999

Demand estimates drive rates as much as costs. Ad Hoc has identified defects in the carriers' filings that consistently underestimate demand (so that rates are overstated).

- **GTE** – inexplicably uses its factor for discounting capital (to net present value) to discount its line counts.
- **SWBT** – Unlike other carriers, SBC used line counts for its LNP filing that are significantly lower than the line counts SBC reports in its ARMIS and TRP filings.
- **Pacific Bell** – forecasts an unexplained *decline* in the number of PBX trunks, contrary to historical data regarding PBX usage trends, the forecasts provided by other carriers, including Pacific Bell's sister company, SWBT, and common sense. And PBX demand errors are leveraged in LNP ratemaking due to the 9:1 PBX ratio.
- **US West** – claims that only 8% of its total business *multi*-lines are sold to PBX users, contrary to information regarding the current market for on-site telephone systems. (Compare SBC, who reports that its PBX trunks are 20% to 60% of total business multi-lines).

Dollar impact: Demand corrections would reduce end user rates by 5¢ to 10¢.

II. **Solutions**

- Correct carrier demand estimates now – hold carriers to historical demand trends, not unreasonable projections in tariff filings.
- Monitor carrier recovery of the costs identified in filings and terminate charge before 5-year deadline when costs are fully recovered
- Require periodic "true-ups," adjusting rates down based on actual reported demand

III. **Ameritech's OSS costs**

- Ameritech includes OSS costs that do not meet the Commission's standard for LNP costs, as US West conceded in its Direct Case